

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Date: March 21, 2014

Contact telephone number:

LEGEND

B= scholarship name
C= state
D= school 1
E = school 2
F = school 3
w= number
x= number
y= dollar amount
z= dollar amount

UIL

4945.04-04

Dear _____ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures will not be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

You will operate the B, which will provide financial support to college students who have suffered the death of a parent and are planning to attend a college or university on a full-time basis.

To publicize, you will make announcements in C high schools through the guidance counselor offices and be added to their list of available scholarships.

To be eligible applicants must:

- Have suffered the death of a parent;*
- Have a grade point average ("GPA") of 3.0, and;
- Be attending high school in the state of C

* If the surviving parent has remarried, the student will not be eligible.

Your initial potential applicant pool will be composed of w students from three specific C high schools: D, E and F. You will accept and consider applications submitted via two tracks. On the first track, the guidance counselor offices at each high school will invite three to six eligible students to apply for a grant. The second track will be high school students that choose to apply for a grant on their own initiative. No preference will be given to applications submitted on either track. The guidance counselor office at each high school will collect applications submitted via both tracks and will send all of the applications to you.

You expect to receive approximately x applications annually. In the first year, grant recipients will be selected from D, E or F. Three grants will be renewable. In the fifth year, you will make three additional renewable grants. You plan to continue to make renewable grants approximately every four years. You will increase the number of grants made each year as resources allow.

Each student must complete an application and sit for an interview conducted by the selection committee. The application must include a personal essay and two letters of recommendation. The following are the specific criteria (from most important to least important) that the selection committee will use to select recipients:

- Financial need;
- Academic excellence as exhibited by the applicant's GPA; and
- Character, as showcased in the applicant's personal essay, letters of recommendation, and during the interview conducted by the selection committee.

The first selection criterion is financial need. Each student must show his or her financial need by attaching a copy of his or her completed Free Application for Federal Student Aid (the "FAFSA") and Student Aid Report (the "SAR") to the application the student submits to you. Based on the information contained in the FAFSA and the SAR including, in particular, the student's Expected Family Contribution ("EFC"), you will assess the student's financial need. You do not have a bright line threshold of financial need. However, you plan to provide financial support primarily to students that have a minimal or zero dollar EFC, which indicates that the federal government has determined significant financial need based on the lack of resources available to the student's family.

Grants are renewable, but such renewal is conditioned on the grant recipient's maintenance of a GPA of 3.1 or higher for the entire time that the grant recipient is enrolled in his or her degree program. Each year, grant recipients will also be required to submit a transcript and a narrative report explaining what they have learned during the year and how the grant award was used. The maximum number of years that a grant award can be renewed is three years, for a total of four years of financial support. Grant recipients must also remain in good standing with their educational institution. If a grant recipient fails to remain in good standing with his or her educational institution, your Board of Directors may accommodate a grant recipient if such poor status is a result of extenuating circumstances (for example, a temporary withdrawal due to the illness of a close family member).

Each grant will be between y and z dollars annually. The exact amount of each grant will be determined after considering all of the selection criteria. If resources allow, you may increase the amount of your grants.

Your selection committee initially will be composed of a subset of members of your board of directors. In selecting members to serve on the selection committee, you will take into consideration each person's knowledge of and experience in the education field and the ability to carry out his or her responsibilities on the selection committee.

Each member of your selection committee is obligated to disclose the existence of a relationship that he or she has with any potential grantee under consideration and to refrain from participation in the award process if such member could derive directly or indirectly, a tangible private benefit from any potential grantee's selection over that of other potential grantees. Relationship is meant in the terms of financial relationship and not a familial relationship. Under no circumstances would you ever make a grant to a disqualified person. Your officers, directors, substantial contributors, selection committee member and the children or relatives of such persons are not eligible for your grants.

Your board may add or remove members to your selection committee and will replace members upon their resignation, removal, or inability to serve. New members of your selection committee may be chosen from current or former board members or officers, or such other individuals who are determined by your board to possess the requisite knowledge, experience, and abilities to serve on the selection committee.

You will maintain detailed case histories by retaining applications and recording the name and address of the applicant, the names of the schools the applicant currently attends and wishes to attend, and the amount of the grant. Additionally, the case histories will record the information relied upon by your selection committee to determine eligibility and select grant recipients. Finally, the case histories will record confirmation that the applicant bears no relationship to the officers, directors, selection committee members or substantial contributors to you.

You expect to maintain these records for a period of at least four years after the time the grant recipient has graduated from (or failed to remain enrolled in) the school he or she

plans to attend. Periodically, you will review case histories to evaluate the effectiveness of your program.

Grants will be paid to the educational institution. You will require such educational institutions to return the grant if a grant recipient fails to enroll or drops out of such educational institution. In the event of a misuse of grant funds, you will determine if the situation is a mistake, whether it can be corrected, and then take appropriate action. If you determine misuse, you will seek the return of all or some of the funds. In certain cases, you will cease making additional disbursements.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversion from occurring.

You represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b) (1) (A) (ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.

- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c) (2) (B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations